

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

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HALF YEARLY REPORT TO SHAREHOLDERS

15 March 2017

Dear Shareholder,

Dividend Payment

The 15.5¢ per share fully franked interim dividend has been paid today, by way of cheque, notification of direct banking, or notification of allotment of shares under the Dividend Reinvestment Plan, according to your instructions.

Net Asset Backing 28 February 2017: \$8.35 per share

At 28 February 2017 the unaudited net tangible asset backing of the Company's ordinary shares, based on investments at market value, after tax on net realised gains, before any future tax benefit of net realised losses, and before estimated tax on net unrealised gains and losses and after provision for the interim dividend of 15.5 cents per share, was \$8.35 per share, or \$7.27 per share after providing for estimated tax on unrealised portfolio gains.

Results for Half Year Ended 31 December 2016

On 13 February 2017 the Directors made the following report to the Australian Securities Exchange concerning the Company's performance and the interim dividend:-

Profit and Realised Capital Gains/Losses

Profit after income tax for the half year ended 31 December 2016 was \$21,345,411 (previous corresponding period: \$22,466,154). The Profit includes special dividends received after tax of \$435,000 (previously: \$163,700).

Excluding special dividends Profit after tax fell 6.2%.*

The fall in profit principally reflects a reduction in dividends received from the mining, energy and retail sectors, and the ANZ Bank.

Net realised losses on the investment portfolio after tax were \$2,689,267 (previous corresponding period gains of \$252,321), which under accounting standards are transferred directly to the Asset Realisation Reserve and are not included in Net Profit.

Operating expenses (excluding interest) for the half year were 0.05% of the average market value of the portfolio (previous corresponding period 0.05%).

* Additional non IFRS information, not subject to external review.

Earnings Per Share

Earnings per share based on the weighted average number of shares on issue for the half year were 17.3 cents per share compared to 19.5 cents for the prior corresponding period. Excluding the special dividends, earnings per share fell 12.9% to 16.9 cents.*

The weighted average number of ordinary shares for the period rose 7.3% to 123,473,815, after taking into account the shares issued in the dividend reinvestment plan and reflecting the issue of 13,692,944 new ordinary shares in the one for eight renounceable rights issue in November 2015.

The Directors have declared an interim dividend of 15.5 cents per share fully franked to shareholders registered on 24 February 2017, to be paid on 15 March 2017. The comparable 2016 interim dividend was 15.5 cents per share fully franked.

LIC Capital Gains

The interim dividend will not include any Listed Investment Company capital gain dividend.

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan ("DRP") under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at the volume weighted average selling price of shares traded on the Australian Securities Exchange in the five trading days beginning from the day the shares start trading on an ex dividend basis, without any discount. The last day for the receipt of an election notice for participation in the plan is 27 February 2017.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$8.34 at 31 December 2016 and \$8.30 at 31 January 2017. These calculations are after tax on net realised gains, before any future tax benefit of net realised losses, before estimated tax on net unrealised gains/losses, and before provision for the interim dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on unrealised portfolio gains were to be deducted, the above figures would be \$7.29 at 31 December 2016 and \$7.26 at 31 January 2017.

Performance

The Company's net asset backing accumulation performance for the six months to 31 December 2016 (assuming all dividends were reinvested) was a rise of 12.8%, compared to the rise of 10.6% in the S&P ASX 200 Accumulation index. The Company's returns are after tax and expenses and the impact of the Company's gearing for which no allowance is made in the index.

Investment Portfolio

As at 31 December 2016 the twenty-five largest shareholdings of the Company, at market value, were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. Commonwealth Bank Ltd	105,073	9.0%
2. Australian & New Zealand Banking Group Ltd	85,937	7.4%
3. Westpac Banking Corporation Ltd	81,500	7.0%
4. National Australia Bank Ltd	69,007	5.9%
5. Wesfarmers Ltd	58,996	5.1%
6. Diversified United Investment Ltd	50,544	4.4%
7. BHP Billiton Ltd	46,361	4.0%
8. CSL Ltd	45,184	3.9%
9. Rio Tinto Ltd	44,925	3.9%
10. Transurban Group Ltd	43,860	3.8%
11. Woodside Petroleum Ltd	38,950	3.4%
12. Telstra Corporation Ltd	30,600	2.6%
13. Woolworths Ltd	28,920	2.5%
14. Brambles Ltd	26,040	2.2%
15. AMP Ltd	22,680	2.0%
16. Sonic Healthcare Ltd	21,400	1.8%
17. Event Hospitality and Entertainment Ltd	20,655	1.8%
18. Ramsay Health Care Ltd	20,490	1.8%
19. Perpetual Ltd	19,504	1.7%
20. Suncorp Group Ltd	18,928	1.6%
21. Lend Lease Group	16,082	1.4%
22. Oil Search Ltd	15,774	1.3%
23. Sydney Airport	15,574	1.3%
24. Washington H Soul Pattinson	15,130	1.3%
25. Macquarie Atlas Roads Group	14,645	1.3%
	956,759	82.4%

***Total Investments at Market Value, Short Term
Receivables and Cash**

1,161,507

*Note: At 31 December 2016 bank borrowings were \$130M, and cash and short term receivables (included in the above figures) were \$23M.

A J Hancock
Company Secretary